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FROM : Chief, Publications Staff, ORR
SUBJECT : Transmittal of Material

It is requested that the attached copies of CIA/RR CB 63-48,
Labor Shortages and Fewer Restraints on Job Changing Spur Labor
Turnover in Soviet Industry, 20 May 1963, Confidential, be forwarded
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| ✓ 181 | Mr. James F. Taylor, Director, Office of International Personnel & Management Department of Labor, Room 4209, 14th & Constitution Ave., NW Attn: Mr. William C. Shelton, Chief, Division of Foreign Labor Conditions, Bureau of Labor Statistics, Dept. of Labor Room 6318, Labor Bldg. |

2 Attachments

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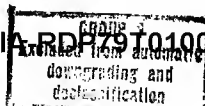
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Current Support Brief

LABOR SHORTAGES AND FEWER RESTRAINTS
ON JOB CHANGING
SPUR LABOR TURNOVER IN SOVIET INDUSTRY



CIA/RR CB 63-48

20 May 1963

CENTRAL INTELLIGENCE AGENCY

Office of Research and Reports

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LABOR SHORTAGES AND FEWER RESTRAINTS
ON JOB CHANGING
SPUR LABOR TURNOVER IN SOVIET INDUSTRY

Frequent reports in the Soviet press about problems of high labor turnover suggest that voluntary job changing in industry has been increasing. Changes in the labor laws and in the wage system since 1960-61 have removed practically all legal and monetary restraints on labor turnover. Since 1961, moreover, the supply of new workers from Soviet schools has declined, and the planned reduction of the Soviet armed forces has been halted. As a result, Soviet workers apparently have enjoyed a "seller's market" for their services during the past year or two and have been "voting with their feet" in growing numbers for higher wages and better working conditions.

1. Soviet Press Discussion of the Labor Turnover Problem

At the plenum of the Central Committee of the Communist Party in November 1962, Khrushchev spoke of the "great harm to the economy" caused by the excessive turnover of workers. He suggested that "perhaps far-reaching changes should be made in the labor laws, which would take into account the interests of the state as well as the individual interests of the workers." 1/

References to the turnover problem increased considerably after the November plenum. In its issue of 1 December 1962 the Communist Party weekly, Economic Gazette, invited its readers to submit proposals for solutions to the problem, some of which subsequently were published. 2/ A summary analysis of the opinions expressed in the "hundreds" of letters received over a 4-month period appeared in the issue of 30 March 1963.

In spite of the conspicuous absence of any concrete statistics, the press discussion as a whole suggested that labor turnover in Soviet industry has been increasing and has reached a level that the Soviet

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leadership considers to be undesirably high. In 1961, it was reported that labor turnover in Soviet industry had declined by 5 percent between 1957 and 1960. 3/* Presumably, this downtrend was reversed after 1960.

The predominant theme of the letters received by the Economic Gazette, as summarized by the editors, was that turnover could be reduced by (1) the improvement of working and living conditions, (2) the introduction of incentives for long service at an enterprise, (3) better indoctrination of workers, and (4) changes in the labor laws. The editors concluded, however, that the ultimate responsibility for reducing labor turnover was in the hands of the managers at all levels of the economic hierarchy.

Although the editors' summary made no mention of labor shortages, it noted without comment that many readers had recommended that (1) retired persons and housewives be induced to enter the labor market, (2) the government's organized recruitment system (Orgnabor -- an agency that recruits new workers from the nonworking population) be more fully used, and (3) severe penalties be imposed for unauthorized absences from work. These three proposals, which are aimed directly at increasing the number of workers or the number of man-hours worked, suggest that some readers believe labor shortages are contributing to the current turnover problem. As discussed below, there are several indications that a "tight" labor market may have contributed to the increase in voluntary job turnover in recent years.

* The Soviet survey of the reasons for labor turnover in which this decline was cited was followed by a similar, but smaller, survey published in 1963. 4/ This latter survey, however, gave no data on the trend in labor turnover. The reasons for labor turnover reported in these two interview and questionnaire studies coincide generally with those mentioned in the recent press discussion and do not necessarily reflect the real reasons for job changing. Moreover, the reasons given are of limited use in explaining the apparent recent increase in turnover.

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2. Developments in the Labor Supply

Beginning in 1961, developments in the armed forces and in Soviet schools probably "tightened," at least temporarily, the supply of additional labor available to Soviet factories. The halt in the demobilization of the armed forces in early 1961 and the drive to achieve compulsory 8-year schooling beginning with the 1962/63 school year reduced the number of entrants to the civilian labor market in 1961 and 1962 compared with 1959 and 1960. The number of persons graduating from full-time schools has been declining steadily since 1959, with an especially sharp drop in 1962, as shown in the following table:

Table

Reported Graduations from Full-Time Soviet High Schools,
Tekhnikums, and Higher Educational Institutions
1959-62

| | Thousand Persons | | | |
|---------------------------------|------------------|-------------|-------------|---------------|
| | <u>1959</u> | <u>1960</u> | <u>1961</u> | <u>1962</u> |
| High schools | 1,120 | 700 | 625 | 400 |
| Tekhnikums | 396 | 348 | 286 | 270 <u>a/</u> |
| Higher educational institutions | 241 | 227 | 205 | 200 |

a. Estimated.

Recent evidence that labor has been relatively scarce was contained in the official announcements of the plan fulfillment results for the first quarter of 1963. According to these announcements, industrial employment in the USSR increased by less than 3 percent, compared with almost 4 percent in the first quarter of 1962. On an annual basis, an increase of less than 3 percent is the smallest since at least 1950 and probably since World War II. This slowdown in the growth of industrial employment suggests, moreover, that labor shortages may be contributing to the slowdown in the growth of industrial production.

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Paradoxically, this tightening of the labor supply has occurred simultaneously with an increasing rate of growth of the working-age population. The low birth rates of World War II and subsequent higher rates in the postwar years should have reduced growth of the labor force during the late 1950's and accelerated it in the early 1960's. Because of significant changes in the educational system and in the size of the armed forces during the past 6 or 7 years, however, growth of the labor force has not been related directly to growth of the population of working age.

The labor supply probably will increase appreciably when the relatively large crop of graduates from the 8-year schools -- whose entry into the labor market was postponed for 1 year -- take jobs this summer and fall.

3. Current Absence of Legal and Monetary Restraints on Labor Turnover

A major legal restraint to labor turnover, which was enacted just before World War II and which provided criminal penalties for quitting one's job without the permission of the plant management, was repealed in 1956. An additional restraint on mobility was left in effect, however -- the provision that a worker who voluntarily changed his job forfeited his eligibility for sick pay and other temporary disability benefits until he had worked at his new job for 6 months. This restraint on job turnover was removed in January 1960 by a decree that extended such benefits to a voluntary job-changer regardless of his length of service at the new plant.

In July 1961 a monetary restraint on job turnover was removed when the further accumulation of longevity benefits was halted for all workers except those engaged in underground work. This restriction on longevity benefits was part of the recent major reform of the wage system in Soviet industry that was intended, in part, to reduce the relative proportion of workers' earnings paid in the form of supplementary pay and bonuses.

By mid-1961, therefore, the Soviet labor market had been freed of most formal restraints on voluntary job turnover. Those restraints that were still in effect related primarily to recent graduates of vocational

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schools, colleges, and universities, who by law could leave their jobs voluntarily only after completing their 2-year to 4-year compulsory job assignment. At present, labor mobility in many remote areas is being encouraged by poor living conditions, especially woefully poor housing. The housing shortage for the country as a whole, however, restrains rather than encourages job turnover, since those who do have adequate housing are reluctant to move. As the general shortage of housing is gradually reduced, the effect of this informal restraint will, of course, be diminished.

4. Possible Action by Soviet Leadership

In his speech at the conference of industrial and construction workers on 24 April 1963, Khrushchev spoke of "the need to use various measures of encouragement, including the system of vacations, for a more active struggle against violators of labor discipline, people who frequently change jobs without any reasons." He suggested that "the system of vacations should be organized in such a manner that it would stimulate and encourage those who work well Those people who . . . move about from one enterprise to another should have their leave reduced or possibly be deprived of leave altogether until they improve their ways." He emphasized, however, that "this must be very well considered and discussed with workers and employees before adopting any decision." 5/

Khrushchev's present conservative approach to the problem contrasts sharply with his proposal last November for "far-reaching changes" in the labor laws. Perhaps he has had second thoughts about the wisdom of cracking down on violators or, perhaps, he now believes that the labor supply will increase by this summer. Administrative machinery exists at the republic, oblast, and city level to assure the influx of the bulk of the 8th grade graduates into the labor force, with inducements for them to continue their education on a part-time basis. Khrushchev aimed his more recent attack principally at the chronic job-changers -- those who are labeled by the Soviet press as "seekers of the easy ruble" and "drifters." It is unlikely that the present Soviet leadership will reinstitute the legal restraints on voluntary turnover that were in effect before 1956.

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